

Message Text

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42

ACTION OPIC-06

INFO OCT-01 NEA-10 ISO-00 EB-07 AID-05 TRSE-00 COME-00

AGR-05 OMB-01 FRB-03 CIAE-00 INR-07 NSAE-00 L-03 H-02

IGA-01 FTC-01 CIEP-01 /053 W

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R 021130Z SEP 75

FM AMEMBASSY ISLAMABAD

TO SECSTATE WASHDC 1838

LIMITED OFFICIAL USE ISLAMABAD 8068

FOLLOWING SENT ACTION ISLAMABAD FROM KARACHI AUG 27 REPEATED
TO YOU:

QUOTE

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E. O. 11652: N/A

TAGS: EINV, EFIN, PK

SUBJECT: OPIC LOANS

REF ISLAMABAD 7754

1. PREMIER TOBACCO CHAIRMAN SAMAD AND FINANCE DIRECTOR
ADENWALLA CALLED ON DPO AND CO AUGUST 26 TO ADVISE US OF
NEW INFORMATION REGARDING OPIC LOAN FOR PREMIER TOBACCO.
SAMAD AND ADENWALLA STATED THAT THEY HAD RECENTLY MET WITH
MR. FAROOQI, EXECUTIVE DIRECTOR OF STATE BANK WHO HAD
SAID THAT STATE BANK GOVERNOR GULAM ISHAQ KHAN PERSONALLY
RAISED OBJECTIONS TO OPIC LOANS IF THE SOURCE OF THOSE LOANS
WAS FROM THE "DORMANT" PL 480 ACCOUNTS IN STATE BANK,
SINCE UTILIZATION OF THOSE MONIES WOULD VIOLATE CREDIT CEILING
POLICY ADOPTED BY GOP AT URGING OF IMF AND WORLD BANK.
FAROOQI REPORTEDLY SAID THAT STATE BANK WOULD HAVE NO
OBJECTION TO OPIC LOANS IF SOURCE OF MONIES WERE FROM
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"COMMERCIAL PL 480 DEPOSITS" IN FOREIGN BANKS.

2. PURPOSE OF SAMAD AND ADENWALLA'S VISIT WAS TO DETERMINE FROM CONGEN ACTUAL SOURCE OF OPIC LOAN. WE RESPONDED THAT WE WERE 98 PERCENT CERTAIN THAT OPIC LOANS WOULD BE FROM SO-CALLED DORMANT ACCOUNTS IN STATE BANK AND THEREFORE WOULD BE SUBJECT TO S. B. P. GOVERNOR'S OBJECTIONS. AT SAMAD'S REQUEST, HOWEVER, WE AGREED TO QUERY EMBASSY FOR CONFIRMATION OF THIS FACT. PLEASE ADVISE.

3. WE POINTED OUT TO SAMAD AND ADENWALLA THAT EVEN IF STATE BANK OBJECTION OVERCOME, THERE STILL WAS OBJECTION HELD BY INDIVIDUALS IN FINANCE MINISTRY TO OPIC LOANS SINCE THE REPAYMENTS WOULD RESULT IN INCREASING U.S.G. RUPEE HOLDINGS. SAMAD AND ADENWALLA SAID THEY WERE AWARE OF THIS ADDITIONAL OBJECTION AS A RESULT OF THEIR CONVERSATION WITH OPIC OFFICER BOSTWICK SEVERAL WEEKS AGO.

4. FYI: HERETOFORE WE HAD BEEN UNAWARE OF EXTREME POSITION WHICH PREMIER TOBACCO NOW FINDS ITSELF. ON BASIS OF GOP APPROVALS OF PROJECT AT ALL LEVELS OF BUREAUCRACY, PREMIER TOBACCO HAD PROCEEDED APACE IN ORDERING NEW EQUIPMENT FOR EXPANSION PROJECT AND OPENING L/CS. EQUIPMENT NOW DUE TO ARRIVE SHORTLY AND PREMIER TOBACCO FINDS ITSELF IN EXTREMELY EXPOSED POSITION. SAMAD SAID HE CONTINUALLY RECEIVING ENQUIRIES FROM PHILLIP MORRIS IN U.S. AND HOPED ISSUE COULD BE RESOLVED SHORTLY. WE EXPRESSED SYMPATHY WITH HIS PREDICAMENT BUT WERE NOT OPTIMISTIC AS TO SPEEDY RESOLUTION.

5. IN RELATED MATTER RAFHAN MAIZE, KARACHI MANAGER, SHAHID IQBAL, PHONED COMMERCIAL OFFICER MONDAY TO ADVISE THAT DEPARTMENT OF INVESTMENT PROMOTION & SUPPLIES CONTINUES TO BE CONCERNED OVER TURNDOWN OF OPIC LOANS AND THUL I.P. & S. PLANS TO BRING UP MATTER AGAIN AT CIPCOC MEETING SCHEDULED FOR KARACHI NEXT WEEK. IQBAL WAS HOPEFUL THAT POSSIBLE REVERSAL OF DECISION TO TURN DOWN OPIC LOANS MIGHT RESULT FROM THIS MEETING. TIGER

UNQUOTE.
BYROADE

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